



## OPEN MEETING AGENDA ITEM

April 8, 2022

Arizona Corporation Commission  
1200 W. Washington Street  
Phoenix, AZ 85007

**Comments on Application of Tucson Electric Power for Authorization for Annual Purchased Power and Fuel Adjustment Clause Rate Adjustment, Docket No. E-01933A-19-0028**

Dear Chairwoman Márquez Peterson and Commissioners:

Sierra Club provides the following comments on Commission Staff's recommendations regarding the application of Tucson Electric Power (TEP) for authorization of an annual Purchased Power and Fuel Adjustment Clause (PPFAC) rate adjustment under Docket No. E-01933A-19-0028.

TEP seeks to recover an under-collected balance of \$108 million in PPFAC-eligible costs, including \$17.8 million in costs deferred from 2020 and 2021, as well as \$90 million incurred due to higher gas and wholesale electricity costs. TEP's requested fuel adjuster would result in a rate increase for TEP customers of \$12.68 per month on an average residential bill over a 12-month period, while Staff's proposal would spread the costs over 18 months, increasing average residential bills by \$9.27 per month.

TEP's application demonstrates the dangers of relying on fossil gas as a fuel source, given increasing price volatility in gas markets. San Juan Basin gas prices increased an average of 88% in 2021, as the Staff memo notes. Extreme weather events, including the June 2021 heat wave and winter storm Uri in Texas in February 2021, led to record-high gas prices. TEP's reliance on volatile gas markets is burdening ratepayers with unnecessarily high costs.

These excessive gas costs highlight the need for TEP to accelerate the transition to clean, lower-cost renewable energy sources such as solar power. Solar energy is now cheaper than gas on average, and solar plus storage projects provide ample reliability.<sup>1</sup> TEP can also reduce reliance on gas by investing more in demand response and energy efficiency programs. Shifting away from fossil gas will avoid fuel price volatility, reducing costs and saving ratepayers money.

---

<sup>1</sup> See M. Bolinger, J. Seel, C. Warner and D. Robson, Lawrence Berkeley National Laboratory, *Solar Empirical Trends in Project Technology, Cost, Performance, and PPA Pricing in the United States: 2021 Edition*, at 32 (Oct. 4, 2021), available at <https://www.osti.gov/biblio/1823604>.



Moreover, it is concerning that TEP seeks to recover such a large amount via the rate adjuster process, which lacks the level of scrutiny and ratepayer safeguards that would be provided in a rate case. TEP's \$108 million request is almost double the \$57.9 million authorized in TEP's most recent rate case, as the Residential Utility Consumer Office notes in its comments. The fuel adjuster process does not allow for sufficient Commission oversight of utilities' fuel costs, and therefore does not incentivize utilities to minimize those costs to the greatest extent practicable. Here, the Commission should consider whether TEP's high fuel costs could be avoided by shifting to greater reliance on renewable resources and demand-side management. Where a utility seeks recovery of such large expenses, all stakeholders should have an opportunity to fully examine whether the utility's fuel expenditures are in the best interest of ratepayers. Sierra Club recommends that the Commission evaluate changes to the adjuster process, including more time for stakeholder comments and more robust Commission review of annual filings.

Thank you for your consideration of these comments.

Sincerely,

/s/ Sandy Bahr

Sandy Bahr  
Chapter Director  
Sierra Club – Grand Canyon Chapter  
(602) 253-8633  
[sandy.bahr@sierraclub.org](mailto:sandy.bahr@sierraclub.org)